

FISCAL NOTE

Bill #: SB0337 **Title:** Revise restrictions on conservation easements on state land

Primary Sponsor: Weinberg, D **Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	(\$47,998)
State Special Revenue		\$47,998
Revenue:		
General Fund	\$0	\$0
State Special Revenue	\$0	\$51,726
Other	\$910,000	\$914,566
Net Impact on General Fund Balance:	\$0	\$47,998

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill would give the Department of Natural Resources and Conservation (DNRC) the authority to issue conservation easements on state lands. DNRC has completed a programmatic Environmental Impact Statement process to develop a management plan that includes sale of conservation easements on state lands, but has not identified particular parcels where conservation easements would be offered for sale.
2. The department anticipates that the sale of conservation easements sold as described in the Programmatic Environmental Statement would represent approximately 910 acres of state trust land on an annual basis.
3. The average land value of the 910 acres is approximately \$2,000 per acre or \$1,820,000 per year. Gross revenue from the conservation easements is estimated at 50 percent of the per acre value or \$910,000 per year.
4. Advertising costs for marketing the conservation easements would be expensed from existing spending authority in House Bill 2.

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5. The revenue from the conveyance of conservation easements is considered non-distributable and would be allocated to the permanent funds of the appropriate trust beneficiaries. For fiscal note purposes, the gross revenue was allocated based on surface acreage of the trusts as follows:

<u>Beneficiaries</u>	Non-Distributable Revenue FY06/07
Common School	\$816,743
Univ. of Montana	\$3,272
MSU-Morrill	\$11,189
MSU-Second	\$5,541
MT Tech	\$10,481
Normal School	\$11,189
Deaf & Blind	\$6,429
Reform School	\$11,954
Veterans Home	\$225
Public Buildings	<u>\$32,976</u>
Total	\$910,000

6. Proceeds from the first sales of conservation easements would be deposited in the trust funds near the end of FY 2006. The average balances in the trusts in FY 2007 would be increased by the amounts shown in the table in assumption 5.
7. New deposits to the trust funds are forecast to earn interest at 6.186% in FY 2007. For the common school trust, 95% of the interest earnings would be deposited in the guarantee fund ($\$50,524 \times .95 = \$47,998$). The remaining 5% or \$2,526 would be deposited into the trust. The trust beneficiaries would receive additional interest income as shown in the following table:

Interest Earnings	FY 2007 Revenue
<u>Beneficiaries</u>	
Common School (02/09)	\$50,524
Univ. of Montana	\$202
MSU-Morrill	\$692
MSU-Second	\$343
MT Tech	\$648
Normal School	\$692
Deaf & Blind (02)	\$398
Reform School (02)	\$739
Veterans Home (02)	\$14
Public Buildings (05)	<u>\$2,040</u>
Total	\$56,292

The guarantee fund is the first funding for school Base aid. Increases in statutory revenue for Base aid do not increase the state obligation for school district Base aid and result in reductions in the amount of general fund

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required to fund school districts. The guarantee fund is statutorily appropriated to school base aid. Increased guarantee account revenue would decrease school Base aid general fund expenditures by \$47,998.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Funding of Expenditures</u>		
General Fund	\$0	(\$47,998)
State Special Revenue (02) – Guarantee Fund	\$0	\$47,998
<u>Revenues:</u>		
State Special Revenue (02) – Guarantee Fund	\$0	\$47,998
State Special Revenue (02) – Other including MUS	0	\$3,728
Capital Projects (05)	0	2,040
Trust Funds (09)	<u>\$910,000</u>	<u>\$912,526</u>
TOTAL	\$910,000	\$966,292

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund	\$0	\$47,998
Guarantee Fund (02)	\$0	\$0
State Special Revenue (02) - Other including MUS	\$0	\$3,728
Capital Projects (05)	\$0	\$2,040
Trust Funds (09)	\$910,000	\$912,526

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

Revenue from sales of conservation easements on state trust lands in FY 2007 and later years will be deposited in the trust fund. This would result in further increases in interest earnings in FY 2008 and later years.